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SUBJECT: RANF: U.S. DEMARCHE TO FORWARD-LEANING RECIPIENT
STATES FOR POSITIVE INTERVENTION AT THE MARCH 2009 IAEA BOG

REF: 09 UNVIE 0069

¶1. (U) THIS IS AN ACTION REQUEST: Please see para 9; Kuwait
please see paras 9 and 10.

¶2. (SBU) SUMMARY: Since 2003, the International Atomic Energy Agency (IAEA) Secretariat has been developing a mechanism for reliable access to nuclear fuel (RANF). This mechanism is intended to supplement the existing commercial market of nuclear fuel services and is designed to create an incentive for states to voluntarily choose the market over the development of indigenous uranium enrichment capabilities. Two concrete proposals are nearly ready for consideration by the IAEA Board of Governors (BOG), however the IAEA Director General (DG) has been reluctant to bring these forward due to G-77 and NAM concerns that this initiative will infringe on their rights for peaceful use of nuclear power. However, through private channels we have learned that a number of potential recipient states are in fact supportive of the RANF concept. We believe that positive statements by these countries at the March 2-6 IAEA BOG meeting in support of RANF could help the DG overcome his reluctance to bring RANF proposals before the BOG, and hopefully make these a formal item for discussion at the June BOG meeting. A set of key themes encouraging these states to come forward is presented here. END SUMMARY.

¶3. (U) BACKGROUND: Since 2003, the International Atomic Energy Agency (IAEA) Secretariat has been developing a mechanism for reliable access to nuclear fuel (RANF). This effort is intended to supplement the existing commercial market of nuclear fuel services and is designed to create an incentive for states to voluntarily choose the market over the development of indigenous uranium enrichment capacity. President Obama has expressed support for this concept to help meet growing demands for nuclear power without contributing to nuclear weapons proliferation.

¶4. (U) Following a 2005 Expert Group report released by the IAEA, a number of governments, industry groups, and nongovernmental organizations released a number of complementary RANF proposals. These diverse concepts are not mutually exclusive, and it is expected that a number of mutually reinforcing RANF mechanisms will ultimately be endorsed and developed by the IAEA. After studying about a dozen such proposals, in June 2007 the IAEA Director General (DG) transmitted to the Board of Governors (BOG) a report (GOV/INF/2007/11) that sketched out a possible RANF framework.

¶5. (SBU) Fuel assurances were categorized by the Secretariat

report into three distinct levels. First, the existing commercial market (which consists of four international suppliers from six countries) provides a basic level of assurance. Second, in the case of a disruption of supply, back-up commitments could be pre-arranged whereby other suppliers would provide fuel. Finally, international "fuel banks" could be established as a supply of last resort. To access a RANF mechanism, recipient states would not be required to give up any rights. Instead, it is expected that these states would voluntarily decide to rely on the international market, bolstered by the RANF mechanism(s), rather than developing costly and complex uranium enrichment technologies. END BACKGROUND.

¶ 16. (SBU) Currently, two RANF proposals are nearing fruition: (1) an IAEA-administered international fuel bank to be funded by a challenge grant from the Nuclear Threat Initiative (NTI, a U.S. NGO) that includes donations from the United States, Norway, the UAE, and the EU; and (2) a fuel bank to be hosted by the Russian Federation at the International Uranium Enrichment Center in Angarsk. These proposals are related, as material from the Angarsk bank could be made available through the IAEA mechanism. For these proposed concepts to become reality, approval by the IAEA Board of Governors is needed.

¶ 17. (SBU) Although he was an early proponent of RANF, Director General ElBaradei has over the past year stepped back from the initiative, largely due to concerns raised by G-77 and non-aligned Member States (reftel). Despite many assurances to the contrary, these states claim they are concerned that the development of a RANF mechanism is the first step towards stripping them of their rights under the NPT to deploy nuclear technology for peaceful uses. ElBaradei has stated that he does not want to bring the issue to the IAEA Board prematurely for fear that its rejection would set the effort back indefinitely.

¶ 18. (SBU) Over the past year, however, Department officials have learned through private channels that a number of potential recipient states are in fact supportive of RANF. We believe that positive interventions at the March BOG meeting by some of these states could help assure the DG that support for this concept expands into the non-aligned sphere, and that there is more to gain than lose by bringing concrete RANF proposals before the IAEA Board for discussion at the next BOG meeting in June.

¶ 19. (U) ACTION REQUEST: Posts are requested to convey the following key themes to appropriate officials as soon as possible, but no later than Monday, March 2. These encourage a positive intervention at the March BOG meeting in support of a substantive discussion of concrete RANF proposals at the June BOG meeting. The earlier this discussion can be held, the more likely the impact on statements to be made at the March BOG meeting. Department appreciates Posts' efforts on this urgent request.

BEGIN KEY THEMES:

- As you know, the IAEA has been pursuing the development of a fuel assurance mechanism for several years now.
- The purpose of this initiative is to expand, not restrict, access to the peaceful use of nuclear energy.
- The fuel assurance mechanisms under consideration by the IAEA are intended to alleviate concerns about access to nuclear fuel from the international market.
- Over the past few years, visiting U.S. officials have discussed with you the development of nuclear power in your country.
- In addition to discussing potential activities to help you develop a sound nuclear infrastructure, we've discussed the concept of nuclear fuel assurances.

- During these exchanges, you have learned that the United States supports the development of an IAEA-administered fuel assurance mechanism to increase global confidence in fuel supply.

- Our understanding is that you too are open, in principle, to the idea of an IAEA fuel reserve.

- We understand that two proposed concepts (for the NTI international fuel bank and the Russian fuel reserve in Angarsk) are nearly ready for discussion at the IAEA Board of Governors.

- In our view, an open and frank exchange within the Board of Governors will be essential to resolving any outstanding differences Member States have on this issue.

- Therefore, at the March 2-6 IAEA Board meeting, we will encourage Director General ElBaradei to bring these proposals forward for substantive discussion in June.

- Likewise, we encourage your government to express similar interest in discussing fuel assurances within the IAEA Board of Governors through a statement of support at the March Board meeting.

END KEY THEMES.

¶10. (U) ADDITIONAL REQUEST FOR KUWAIT ONLY. Department understands that NTI representatives have reached out to Kuwait to discuss the IAEA fuel bank, and have said that Kuwait is considering a contribution to the NTI challenge grant, which would put the total of the pledges over the \$150 million target. We recommend delivering the following additional points to encourage Kuwait to join the United States, Norway, the UAE, and EU in taking this step. Due to the national holiday in Kuwait, we request this demarche be made as soon as possible but no later than Tuesday, March 3.

BEGIN ADDITIONAL KUWAIT-SPECIFIC KEY THEMES:

- You are probably also aware that the NTI challenge grant for an IAEA fuel bank is now just a few million dollars short of the minimum needed for realization.

- We strongly encourage Kuwait to seriously consider a pledge to this effort.

- Such a donation would be a tangible expression of support for an international mechanism designed to assure reliable access to nuclear fuel.

- Now would be an excellent time, at or before the meeting of the IAEA Board next week, for Kuwait to state that it will make a pledge comparable to the \$10 million pledge of the UAE or the \$5 million pledge of Norway. Either would result in meeting the NTI \$150 million challenge.

END ADDITIONAL KUWAIT-SPECIFIC KEY THEMES.

¶11. (U) Department thanks all Posts for their assistance with this matter. Department point of contact for working-level RANF issues is Marc Humphrey (ISN/NESS, 202-647-6103, humphreyma@state.gov).

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